

Office of General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

MUR # 5905

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2007 MAR -7 A 10:38

COMPLAINT

Complainant Full Name and Address:
Ikelta Cantú Hinojosa, JD, MSW, LBSW

Wheaton, Maryland 20902-7610

Respondents:

- National Association of Social Workers (NASW)
- NASW-PACE (Political Action for Candidate Election), the NASW federal political action committee
- NASW Executive Director Elizabeth J Clark, PhD, ACSW, MPH
- NASW Chief Operating Officer Kathleen Wagh
- NASW General Counsel Carolyn L. Polowy, Esq.
- NASW Acting Controller Denise McKenzie

Around September 2006, I began to have a number of PAC-related accounting questions and concerns because NASW's internal numbers were very different from what was being reported to the FEC, even considering the difference between cash versus accrual accounting. Despite being listed as the Assistant Treasurer with the Federal Election Commission for NASW-PACE, I was discouraged from raising accounting questions, not fully apprised of the NASW-PACE financials, denied access to the full NASW-PACE financials, and had no authority over the NASW-PACE administrative overhead expenses apparently due to NASW. I was also reprimanded for documenting my concerns in writing and prohibited from contacting the NASW-PACE Trustees directly regarding the irregularities I noticed.

As noted above, I did not have access to the full financials, so I cannot prove actual violations of Federal Election Commission Laws or Commission regulations, but the enclosed information and documentation supports my personal belief that such violations occurred or are about to occur.

- It appears that NASW may not be depositing member donations to PACE into the NASW-PACE account within 30 days of receipt, as required by federal law. For some reason, July 2006 shows \$0.00 in unitemized contributions, which is odd since the PAC usually receives between approximately \$30,000 and \$50,000 each month in unitemized contributions. Such uninterrupted unitemized monthly contributions into the PACE account have been standard over at least the past four years based on a review of NASW-PACE FEC filings from four years ago to the present.

- It appears that the at least approximately \$30,000 a month that NASW collects in NASW member donations to PACE may be being kept by NASW and may not be making its way into the NASW-PACE account. When I asked the General Counsel and the Acting Controller why this is the case, they explained that "It's a wash because NASW-PACE owes NASW \$30,000 in administrative expenses." (9-19-06)
- It appears that NASW may not have an actual designee for depositing member donations to PACE into the NASW-PACE account (which may be fine if NASW is considered a designee, but our NASW-PACE Bookkeeper Zion Amir has voiced concern about NASW-PACE's current structure). I believe that currently, when NASW members donate to the PAC, the money first goes into the NASW General Fund before making its way into a separate account for NASW-PACE. As mentioned above, it is possible that this transfer may not always occur within the required 30-day timeframe.
- For every NASW member donation to PACE, NASW uses 45% for NASW Chapter PACE entities (state and local races), 45% for NASW-PACE (federal races), and 10% for administrative overhead (NASW-PACE rent, staff salaries, staff benefits, staff travel, etc.). It appears that NASW-PACE's administrative overhead averages at about \$6,600 or so each month. Despite this average, it appears that NASW counted NASW's administrative overhead as almost \$22,000 in May 2006 and \$31,000 in August 2006.
- It appears that NASW-PACE gets charged by NASW for administrative overhead in two separate categories: the 10% from NASW member donations (explained above) and through something called the "PACE Education Fund." It is unclear why these two separate categories exist and which NASW-PACE administrative expenses are billed to which category, but both categories go directly to NASW automatically through the NASW Accounting Department with no sign off or approval from me as Assistant Treasurer of NASW-PACE or Jacqueline Steingold as Treasurer of NASW-PACE.
- It appears that NASW removed \$27,000 from NASW-PACE during the last fiscal year (around 6-30-06) to help pay for the NASW pension without authorization or approval from the NASW-PACE Trustees. The Executive Director instructed me not to mention any numbers to the NASW-PACE Trustees regarding the \$27,000 pension expense and said that they should be told about it as an FYI rather than as a matter for their decision. (6-21-06) It is my understanding that Grant Thornton, the annual auditors for NASW, may have flagged this pension expense for inquiry.
- At one point, NASW was considering charging NASW-PACE \$10,500 for a fiscal year 2005-2006 audit (July 1, 2005 to June 30, 2006) without authorization

or approval from the NASW-PACE Trustees; I am not sure about the status of the transaction.

- It appears that expenses incurred during the last fiscal year are not being reported to the FEC until this fiscal year. For example, the August 2006 FEC report shows expenses from May 2006. Also, NASW-PACE reported to the FEC that NASW-PACE had \$200,000 in its account, but the Bookkeeper was simultaneously telling us that we only had \$15,000 in the NASW-PACE account (which prompted my memo dated 9-15-06).
- When I asked the Finance Manager why the numbers do not match and why NASW Accounting was not reporting expenditures in "real time" but instead delaying it by months, she responded that NASW Accounting uses cash-based accounting for NASW-PACE rather than accrual accounting. It is my understanding that the rest of NASW uses accrual accounting, that NASW-PACE has always used accrual accounting until very recently, and that the industry standard for large entities such as NASW-PACE is to use accrual accounting. When I asked the Executive Director about the accounting system on 9-28-06, she said that a cash-accrual hybrid is used for NASW-PACE. When I asked the Bookkeeper about the accounting system on 9-29-06, he said that cash-based accounting is used for FEC reports and accrual accounting is used for all other NASW-PACE matters. I am not sure what all of this means, but it disturbed me that I received such different answers for a relatively basic accounting question. I believe that clarifying the accounting system could help resolve some of the numeric discrepancies that appear to exist.
- It appears that Jacqueline Steingold, the individual listed as the Treasurer for NASW-PACE, has not been allowed to fully perform her FEC role. I do not believe that NASW provided her with all letters from the FEC addressed to her, nor have they kept her fully informed of the financial situation of NASW-PACE or allowed her access to the NASW-PACE financials.
- NASW repeatedly overcharged NASW-PACE for items such as building rent in consecutive months, and repeatedly billed NASW-PACE for inappropriate non-NASW-PACE expenses in consecutive months (such as the General Counsel's Westlaw subscription), even after such errors were brought to the Accounting Department's attention.

I could not act upon the NASW Whistleblower Policy because no NASW National Board member was appointed the Compliance Officer as required by the policy at the time I needed to report my concerns.

On October 11, 2006, I became a whistleblower to auditors Grant Thornton¹ in the context of their FY 2005-2006 audit of NASW. At later times, I also whistleblow to

¹ Contact Lisa Lipicki, Grant Thornton, LLP, 2010 Corporate Ridge, Suite 400, McLean, VA 22102; Phone: 703-847-7500; Fax: 703-848-9580.

NASW Finance Committee member Darryl Wheeler, as well as to NASW President Elvira Craig de Silva via separate confidential telephone conversations. I raised issues involving Association financial mismanagement, NASW-PACE irregularities, staff harassment and intimidation, and schemes to funnel money.

Grant Thornton was able to verify several of my concerns and presented them to the NASW Audit Committee on January 25, 2007, with the recommendation that the individuals I named be placed on immediate administrative leave in order to protect staff and documents while the NASW National Board of Directors conducted its own investigation. Unfortunately, not only did the Audit Committee disregard Grant Thornton's administrative leave advice - it also breached confidentiality by publicly identifying me as the whistleblower to the individuals I named on the very same day.

On January 26, 2007, and January 27, 2007, the NASW Executive Committee met in closed session and again decided not to place the individuals I named on immediate administrative leave in order to protect staff and documents while the National NASW Board of Directors conducted its own investigation. The NASW Executive Committee did not discipline the individuals, and it did not even vote to launch an internal investigation led by an independent, third-party entity such as a forensic accounting firm.

The only outcome of the meetings was the decision to prepare a response communication to me from NASW President Elvira Craig de Silva that I received on February 1, 2007, and to establish an "ad-hoc review committee" comprised of NASW insiders closely linked to the individuals I named. My employment reporting structure did not change, so I was still required to report to two of the individuals I whistleblow against. Furthermore, no workplace protections were implemented for me or my staff after my identity was exposed, despite previous pre-whistleblowing incidents of staff harassment and intimidation regularly carried out by the individuals I named. For these reasons, I resigned as NASW Associate Counsel Legislative Affairs, and February 9, 2007, was my last day of employment with the Association.

Though I have already requested to have my name removed as NASW-PACE Assistant Treasurer for FEC reporting purposes, I am unsure whether the Association has actually uploaded the necessary form to do so. Since I am no longer employed with NASW, please remove my name from your NASW-PACE records immediately.


Ikeita Cantú Hinojosa, JD, MSW, LBSW

9th Floor, 11th Floor, 12th Floor
The City of Chicago
PUP WPS
APR 11 12, 2010



District of Columbia: SS

Subscribed & Sworn before
me on this 6th day of March 2007



My Commission Expires Oct. 31, 2011